

# Centre for Institutional Studies



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## **Social enterprise under New Labour and beyond: many good ideas with the potential to become a disaster**

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This essay began as a paper for a day of critical reflection, drawing on three sources - promotional material for 'Social Enterprise Day' in November 2006, the 'Social Enterprise Awards' in the same month, and ministerial statements - to illustrate some observations about a dominant view of social enterprise. The purpose of making this essay public in 2011 is not simply to record a worry about the direction of an aspect of social policy in the United Kingdom during the second and third terms of the New Labour government (from 2001 onwards), but also to draw attention to the continuing relevance of the worry.

The aspect of social policy I am concerned about is the role of independent not-for-profit organisations in general, and specifically those seeing themselves - and/or seen by others - as 'social enterprises'. The ground on which I stand has three features:

First, in my professional role, a conscious espousal of a broadly Popperian approach to policies and institutions, deriving from two decades of working with the Centre for

Institutional Studies (at the University of East London); this treats policies and institutions as attempts to solve serious social problems, and asks both how effective they are, and - especially where effectiveness is in doubt - how well the problems have been formulated with the intention of improving the formulation of the problem, and thus the policy or institution. It should be emphasised that this is an approach, not a method; we don't (and can't) expect to know in advance exactly how to examine any given problem, or attempted solution, because situations vary, but we can and do know that we want to start with a formulation of a problem – whether our own, or someone else's. My other work, over the same period -as an independent consultant to, trainer with, and researcher on, not for profit organisations generically - has not always followed this approach, but recalling the approach has often proved useful when stuck.

Second, a still-evolving view of myself as a citizen (even if formally a subject) in a relatively free and relatively democratic state, I share with others an interest in how the social, economic and political worlds are organised, in the roles played by government, and in how taxes are spent.

Third, a similarly still-evolving experience of myself as a person, who is disturbed and distressed by inexplicable behaviour in others, and in particular by incongruities; for example, between words and actions, and at another level, between party principles and government programmes.

### **Three arguments**

For a worry to be allowed to influence theory or practice, it requires justification: this is attempted in the form of three inter-related arguments about not-for-profit organisations in general, about New Labour, and about social enterprise. These arguments are that not-for-profit organisations have tried before to resolve the dilemmas experienced today by social enterprises; that the early New Labour interest in the 'Third Way' was misconceived; and that this misconception has now found its ideal vehicle in a notion about 'social enterprise'. If these arguments are reasonable, then worry about the consequences may be justified, and it behoves

commentators, as well as practitioners, managers, and policy makers, to keep them under review.

### *Managing voluntary organisations*

In 1981, two years after Margaret Thatcher's first election victory, and at about the same time as the 'gang of four' created the Social Democratic Party, moves were afoot to transform the voluntary sector in Britain. A working party chaired by Charles Handy, and serviced by Nicholas Hinton, then Director of the National Council of Voluntary Organisations, produced a report on improving the effectiveness of voluntary organisations (NCVO, 1981)).

The analysis was challenging for the sector: it was that there were two types of problem faced by voluntary organisation; first level, which can be solved by relatively straightforward technical improvements, and second level - such as organisation purpose, conflicts, and change - which need wrestling with in a different way. The report observed that organisations tried to solve both types of problem as if they were the same.

It recommended, among other things, that the National Council provide better help to its member organisations with both levels of problem, and the management development unit was duly set up. I entered this scene as a prospective consultant, and an escapee from battles in Oxfam about just the kind of second level problems the report identified.

In discussions in this field at the time, a search for a third way could be construed: between the abject certainties of the managerialist tendency and the equally abject romanticism of its anti-managerialist foes, elements of such a third way were, for me, to be found, for example, in the systems of supervision established in some parts of the social care field, in the trenchant insistence on discussing the undiscussable in the work of Chris Argyris, and in the situational logic of Karl Popper (for example, Argyris, 1980; Popper, 1976).

While (as I and others discovered) a definitive third way could be constructed out of such preferred theories or practices, this would miss the point. The power of the idea of a third way is that it does not mean following fixed plans, it is a course resorted to in the event of the failure of both plan A and plan B: a third way can be one of an infinite number of different strategies. But if there was a common characteristic, it lay in adopting ways of talking about what was happening inside organisations which neither treated problems as insoluble, nor which treated the solutions as obvious.

For example: in the context of a community or voluntary organisation facing a financial difficulty, plan A might be extra fundraising effort, plan B cutting staff; a third way solution would involve, first, key people acknowledging that neither plan A or plan B is good enough in itself, and probably not even in combination. In such situations, anecdotally, a small group of people meets at someone's kitchen table, finds it hard to know what to do next, and gets exasperated; it is in this unpromising setting that third ways emerge - not simply alternative solutions of the same type, but alternative ways of seeing the problem, and alternative ways of formulating solutions; in this case, say, merger, renegotiation of the terms of employment, changing patterns of delivery, borrowing, rescheduling existing debt, or any of these in combination; the pursuit of the third way will be, in part at least, a matter of process, rather than the easy production of a policy package, a plan C indistinguishable in form from a plan A or a plan B.

In this approach to problem-solving (however consciously or otherwise people take it) there is at least tacit respect for the seriousness of the problem, and the degree to which the problem challenges the normal habits of the organisation.

### *New Labour's Third Way*

New Labour's third way was not like this; it was more of a fixed policy of striking balances between plan A and plan B, the first sector and the second sector, the state and the market (or 'neither Washington nor Moscow'). It offered little advance conceptually on the formulae of the Social Democrat Party, except that some of its constituent balancing acts were now more precisely articulated:

crime and the causes of crime

rights and responsibilities

public and private partnerships

In dialectical terms, this third way represents, if not 'the end of history', then the end of synthesis; but the New Labour interpretation of the idea was always hard to nail down - interviewers tried without much success with leading proponents, notably Tony Blair himself, before and after the 1997 general election - though he claimed in 1998 to be 'very very clear' about 'a principled position which is also entirely sensible' (Kettle 1998, quoted in Howlett and Locke 1999); and it has not been much discussed in recent years by politicians or commentators, at least not in explicit terms.

It is argued for the purposes of this paper, however, that a received version emerged; through its deployment by politicians, and the commentary of others, the idea of the third way was turned from being a potentially flexible conceptual tool into a prescription for consensual policy. In this view, the most emblematic outcome of governmental third way thinking is to be found in the continually - but never significantly - revised proposals for the composition of the second chamber (part-elected, and part-appointed); this marks the idea as associated with others, such as 'middle England', 'Mondeo Man' and 'Worcester Woman', all of which implicated in a more shadowy idea about the need for the British Labour Party in particular - and perhaps social democratic parties in general - to provide political reassurance to sections of the electorate by distancing themselves from aspects of their own traditions.

Some connections are evident: in 1999, Tony Blair asserted

'Government and community need each other (...) That is why the Third Sector is such an important part of the Third Way' (NCVO, 1999))

Howlett and Locke (1999), commenting on the implications of this view for the government's volunteering policy, note that:

‘He talked of 'millions of people making millions of decisions', of voluntary and community organisations in the plural, and occasionally of 'communities', but he emphasised common purpose and 'the community' in the singular’ (Howlett and Locke 1999).

This could be construed as a warning.

### *Social enterprise: the third way re-invented*

‘In my view, social enterprise is the new British business success story, forging a new frontier of enterprise – a quiet revolution involving 55,000 social enterprises in our country from the smallest community groups to larger businesses’ (Gordon Brown, Cabinet Office website)

Amid disagreement about definitions, as there has been about social enterprise in the UK, a shape nevertheless comes into view and hardens. The dominant idea of social enterprise in the UK (rather than the practice) could be mistaken for the child of New Labour's third way aspirations. The aspirations have not, as noted above, come to much elsewhere, but in social enterprise there is a policy vehicle through which the aspirations may be given full expression:

‘In spite of well known success stories like The Eden Project, The Big Issue or Jamie Oliver's Fifteen, only one in four people know what a social enterprise is: a firm founded for a social purpose that reinvests its profits in the company or community’ (Cabinet Office website)

The usefulness of the idea of social enterprise to government lies mainly in another component idea embedded within it, the double-bottom line; the idea of the double-bottom line has impressive explanatory power (and exhortatory power for practitioners), (see eg Clarke et al 2004) but it can also be adopted as a device for

carrying or legitimising other policy intentions and approaches - by Conservatives and Liberal Democrats as well as by Labour politicians.

The double-bottom line promises the solution of a range of 'wicked' public policy problems (see APSC, 2007) by methods which themselves, in turn, constitute a solution to another set of social problems (in employment, engagement, empowerment), as well as a solution to fiscal problems (because social enterprise means savings in state spending).

The extent to which this is welcome is evident in what politicians and the government say:

'Britain's social entrepreneurs: dynamic and innovative, with a profound sense of social justice' (Ed Miliband, Social Enterprise Day website)

'Business dynamism and success with fairness and social justice'  
(Gordon Brown, Action Plan, 'Scaling New Heights', quoted in the Cabinet Office website)

'Social enterprises not only tackle some of society's most entrenched social and environmental challenges – they increase levels of enterprise and attract new people to business, catalyse and respond to growing ethical markets, and challenge the private sector to put social justice alongside profit-making at the heart of what they do' (Cabinet Office website)

But as well as the specific benefits of the double-bottom line, the surrounding concept is as welcome for its confirmation of cherished traditions - mutualism, voluntarism, entrepreneurship, and above all for its (finalising) synthesis of these traditions into a single, harmonious project, consistent with the third way, with social democracy, and perhaps even with the widely-sought sense of nationhood.

But social enterprise famously has many forebears, and individual social enterprises have a range of origins: co-operatives, conventional businesses with enlightened

attitudes, informal associations, divested units of government, community groups, campaigns for fairer trade, ethical investment houses, reformed philanthropic institutions, charities with changed strategies, and so on.

### **Isomorphism in social enterprise: a historical digression**

The tendency to isomorphism, of whatever kind, is not in itself a disaster. There is, in this field as in others, a market-place of ideas about what organisations should do, and how they should do it, as much as there is a market-place for goods and services; so it is to be expected that rules, admiration of success, and other factors, will produce isomorphism among social enterprises as elsewhere.

Some of the elements of this situation, however, produce a special risk of normativity: intense competition between political parties for the centre ground, particularly in economic policies; several years of significantly increased investment in public services, followed by widespread and growing frustration about the outcomes; the appearance on social and economic scene of apparently innovative mechanisms of delivery, bolstered by the invention of new legal structures; and the emergence of high-profile success stories, leaders, champions, and advocates:

‘Social Enterprises are having an incredible impact across the UK – from tackling social exclusion to providing opportunities for the young to help shape our communities’ (Hilary Armstrong, Cabinet Office website)

...‘we will witness a fantastic flowering of social enterprise, the like of which we cannot even imagine today’ (David Cameron, Scarman lecture)

No-one who matters disagrees - business schools, faith organisations, and princes all echo this confidence.

Yet social enterprise, as a singular and unitary phenomenon, is a travesty of a complex history. Different social enterprises come from not only different traditions, but opposing traditions; some from labour organising itself against its previous relationship with capital, others from capital exploiting its relationship with labour;



some from breaking established loyalties, others from reasserting them; some from binding means and ends, others from splitting them.

Specifically in the history of community and voluntary organisations in the UK, there are organisations for whom trading is new and those for whom it is not, and there have long been contentions within (and sometimes between) trading charities about the implications of their trading activities.

The history, then, is of over-lapping market-places of ideas about social problems and their solutions, about policies, strategies and practices, and about the roles and relationships of different actors. This can mean more than mere competition in a conventional market-place for goods or services, it can mean conflicts between them: a politicised customer of a Co-operative food outlet may, for example, have the same objection to a new store in the area, whether it is built by Tesco or Waitrose, regardless of the fact that the latter is supposed by some to belong to the same broad category of social enterprise as the Co-operative itself.

Proponents of the emerging dominant view of social enterprise may not know about the divergent histories of category members, or they may believe that these divergent histories are of limited importance; but in relation to the promise they have for policy, there is a telling resemblance between apparently different positions:

‘We must have diversity of provision to ensure government, business and the third sector – particularly social enterprise – all play their part in reshaping our public services’ (Hilary Armstrong, Cabinet Office website)

‘I will never pretend that the big shift from state to society can be achieved overnight. But I am supremely confident that as we allow communities to take over responsibilities for their own neighbourhoods...as we change the funding system to reward creativity and innovation...we will witness a fantastic flowering of social enterprise.’ (David Cameron, Scarman lecture website)

For the government minister, the importance of diversity of provision was itself acknowledged, and the special place of social enterprise in ensuring diversity is

recognised - but for a single ultimate purpose of reshaping 'our' services, and an intermediate one of keeping all in step. The then leader of the opposition, David Cameron, emphasises his policy differences from the government in seeking freedom for the local, but, like the minister, sees social enterprise as a unitary whole, falling into place with a (centrally determined) policy of localisation.

The wish by politicians or others to co-opt independent organisations into a normative model of social enterprise would only be a cause for concern if it were met with little resistance by social enterprises themselves, and of course social enterprises respond variably. However, it has been one marker of prominent social enterprises, unsurprisingly, that they eschew adversarialism - the widely-espoused double-bottom line represents a desire for balance between hitherto allegedly competing principles. Thus some social enterprises - especially those drawn to the centre-ground - may be pre-disposed to compliance with a dominant model, whatever form it takes.

### **The room for argument**

Where does debate take place about the roles of third sector organisations and in particular their relationships with government? In his 2006 Hinton lecture, government minister Ed Miliband quoted the late Nick Hinton:

'To change things in Britain you should think radical thoughts and wear a dark suit'

and added later

'If I may say so, I think the central insight I have seen is that you have enormous power when you work together'

The hidden message could not be more clearly visible.

While social enterprises may work together, they must also work separately - like community and voluntary organisations generically - if they are to express their

different traditions and interests. This suggests a need for public debate between them on occasions, but this is difficult to countenance - as it is for many charities - because of the possible cost to their reputations: social enterprises, with their commitment to a double-bottom line, and to third way solutions to persistent social problems, are unlikely to risk undermining their own hard-won credibility by resorting to antagonistic public exchanges with others.

The implications are disturbing: social enterprises share a high degree of confidence with their supporters about their ability to deliver solutions to problems, yet some of them show less confidence in debating their roles and relationships. They are effective agents, but some are not necessarily effective participants in democracy. This may be a matter of policy choice - which would also be disturbing but in some cases, social enterprises may be relatively ill-equipped for public debate because there is no training internally.

If social enterprises are an important part of the democratic system - as some of the politicians quoted here imply - and not just part of a delivery system, then they must be capable of cultivating debate, so that arguments are rehearsed internally, even if unresolved, before being tested with competitors in the market-place of ideas.

Both levels of debate, internal and public, are in danger of being closed down in an isomorphised, unitary, social enterprise field, where everyone is on the same side because all share the same ultimate goal. In an atmosphere where ends justify means, it will be harder for the Co-op to make a case against Waitrose (or for Waitrose to make its case against the Co-op) even though this is vital in a free market where customers and investors are supposed to have common access to information about all options and their consequences. However public debate is self-evidently risky and internal debate presents difficulties to managements and company loyalists.

Ed Miliband, later in the Hinton Lecture, said:

'I happen to disagree with Iain Duncan Smith...“if everybody comes together for one movement you get only one concept prevailing and it locks out alternative

thinking". Actually, I think that is how political change happens: from a unified voice'

Social enterprise solved two problems at once for a government which had lost its (third) way. It 'delivers' a new stream of entrepreneurship in a country where making things is a lost art, whilst targeting some of the people and places whose needs the state most struggles to meet. Its promise would turn out to be just as welcome to New Labour's successor administration.

But one of the costs of the solution has been clearly set out: a unified voice on the part of the sector; that it should become what it at present is not.

### **Conclusion: disaster or dissent**

Argyris (for example Argyris 1980) showed how something becomes undiscussable when discussion of it would cause embarrassment to one or more of the people involved - so they agree not to embarrass each other.

It was, for example, possible to discuss, in many settings in the UK in late 2006, how to produce more 'community cohesion', but not, in some of those settings, whether more community cohesion was desirable or not; and it was difficult to start a discussion with the proposition that there should be less community cohesion. Similarly with 'rights and responsibilities': how they might be balanced was discussable but not the proposition that it would be better to divorce them because there is no correspondence between them.

An aspect of social enterprises which is in danger of becoming undiscussable, in the same sense, is their necessarily infinite variety, the contests between them, and the contests within them.

Social enterprises cannot solve the problems which democratic politics has evolved to deal with; they can aid understanding of these problems by drawing attention to aspects of them - such as specific failures in the state or the market - and even enrich debates about them, but political choices still have to be made in democratic

arenas. For social enterprises to make a useful contribution, they need to be places of debate between both themselves and within themselves; if they are not, they will become, one by one, dismal places to work and as a sector, they will become discredited and fatally over-associated with the obsessive centre ground politics of a particular period: consensual corporate social responsibility for the nation, in voluntarist form.

The potential disaster is not so much for social enterprises themselves, some of which will survive and carry on their work, however reconfigured, but for the way social policy is thought about and made in the UK.

The dominant model of social enterprise is the continuation of some mainly very old ideas about the social world, the world of enterprise, and their manageability. The unanimity of enthusiasm for an uncontroversial view of social enterprise across the formal political spectrum adds to the risk of its adoption for some time, and the marginalisation of dissenting institutional solutions to social problems:

'I want to suggest how the model of engagement between state and sector can be strengthened...how the different strengths of the state and the third sector can better enable people to change society...I want to say something about how state and sector need to change as a result' (Ed Miliband, Hinton lecture)

The Third Way was a potentially creative idea about solving a problem (of adversarialism) in the political arena which became fossilised into a pre-emptive creed - and the scope for using it in policy-making shrunk. In contrast, social enterprises have constituted, over centuries, a range of attempts to solve problems in social and economic arenas - many good ideas rather than one - which now risk being reconceived as a unitary solution. It is unclear how far debate about this development is happening within or between social enterprises; but depoliticisation of the problems (for the sake of a unitary solution) risks discrediting formerly plural strategies, and eliminating critical appraisal of each of them on its merits. The threat is to how we think.

A repoliticised, rather than depoliticised, social enterprise field might have some of the following characteristics:

- public discussion of fundamental policy, management, and practice dilemmas, both within individual enterprises, and in fora where social enterprises meet
- stakeholders abandoning organisations because of unacceptable compromises to explicit or implicit principles
- the formation of new coalitions or alliances (even if only temporary, or about single issues) in opposition to those already established
- public reports of adverse consequences and their origins

These are phenomena which would be widely unwelcome in many settings: they would be perceived as undermining the business of business, or the enterprise of enterprise - but this is social.

The problems which social enterprises try to solve are various; this means that social enterprises must themselves be various - in structure, form, ownership, constitution, policy, management, practice, attitude, shape, style, culture, politics and theory, to name but the most obvious; it is hard to see, then, how they could be in perpetual agreement with each other; some may choose to minimise their competitive encounters with other social enterprises, but even this cannot be expected across the whole population.

If the social claims made of and for social enterprises are to stand up, and if they are plural rather than unitary, then at least some of them will express dissent, or contain dissent, or reflect dissent. It remains to be seen how far social enterprises, and their supporters across the party political spectrum, even in government, are open to plurality, and the dissent that goes with it; and how far their own joint worries about performance, delivery, and accountability moves them in a different direction.

In my professional role, I acknowledge the impressionistic nature of some of these comments, and also that the analysis is of what is being said rather than what is being done: social enterprises may be fighting daily and assertively with branches of government, out of the sight of observers; as a citizen, I want to know more about this, if it happening; as a person, I object to not being told.

### **Note**

In November 2006, Ed Miliband, Hilary Armstrong and Gordon Brown were all leading ministers in the UK's Labour government; David Cameron was the leader of the official opposition party, the Conservatives.

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